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UNCLAS SECTION 01 OF 02 MANILA 004929

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SENSITIVE

DEPT FOR DRL/IL, EAP/MTS, EAP/MLS, DRL/CRA, INR/EAP  
LABOR FOR ILAB

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TAGS: [PGOV](#) [ECON](#) [ELAB](#) [PHUM](#) [SOCI](#) [PINS](#) [RP](#)

SUBJECT: GRP TAKES STEP TO REDISTRIBUTE LARGE ESTATE OWNED  
IN PART BY FORMER PRESIDENT AQUINO

REF: A. MANILA 3154

- [1](#)B. MANILA 0887
- [1](#)C. 04 MANILA 5901
- [1](#)D. 04 MANILA 5552

[1](#)1. (U) This message is Sensitive but Unclassified. Please handle accordingly.

[1](#)2. (SBU) Summary: Taking steps to resolve a long-standing labor dispute, the Philippine government has ordered that the large "Hacienda Luisita" estate owned in part by former president Corazon Aquino be redistributed to workers living on the property. The wealthy Aquino/Cojuangco clan has promised to challenge the ruling in court. The case has potentially far-ranging implications for the landholdings of other wealthy families who have avoided land reform so far, although it is not clear whether the Arroyo administration is trying to send that message. End Summary.

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GRP Seeks Redistribution of Land  
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[1](#)3. (U) Taking steps to resolve a long-standing labor dispute (see background in para 8), the GRP has ordered that the large Hacienda Luisita estate owned in part by former president Corazon Aquino be redistributed to tenants living on the property. On September 30, the Department of Agrarian Reform (DAR) released a report recommending that the Presidential Agrarian Reform Council (PARC) scrap Hacienda Luisita's Stock Distribution Option (SDO) and place the 6,300-hectare sugar plantation located north of Manila under the coverage of the Comprehensive Agrarian Reform Program (CARP), which would distribute the land among its approximately 5,000 tenant worker-farmers. The report, prepared by the GRP's "Task Force Hacienda Luisita," came almost a year after the violent dispersal of striking workers at the Aquino/Cojuangco family-owned estate. (Note: In the November 2004 confrontation with security forces, seven striking workers were killed -- see ref d. An investigation into the shootings is continuing. Due to the strike and tensions at the estate, a large sugar-processing factory on the property remains idle. End Note).

[1](#)4. (U) In releasing the report and its recommendation, DAR Secretary Nasser Pangandaman argued that the hacienda

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management committed a number of serious infractions during the 16-year life of the stock distribution option. He said the living conditions of the plantation workers had deteriorated, with many farm workers earning net pay of only 10 pesos (20 U.S. cents) a week and living in increasingly poor conditions. The Secretary expressed optimism that the PARC would approve the Task Force's recommendation and that the land would be redistributed as soon as possible.

[1](#)5. (U) The PARC started the deliberations on the DAR's recommendation on October 13. It created an inter-agency committee, chaired by the Department of Justice, to validate the DAR report and to study the legal, budgetary and political implications of the DAR recommendations. The inter-agency committee has 30 days from October 19 to report back to PARC. The PARC, chaired by President Arroyo (though other Malacanang officials often sit in for her at meetings) and composed of representatives of farmers, landowners and CARP-implementing agencies, will then issue the final decision. Any party to the case can file an appeal before the Court of Appeals within fifteen days after the issuance of the PARC decision.

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Political Vendetta?  
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[1](#)6. (SBU) There have been accusations from Opposition figures that Malacanang pushed these recent developments forward because of former president Aquino's support for the anti-Arroyo camp. (Note: In July, Aquino came out against

Arroyo, urging her to resign immediately. End Note.)  
Secretary Pangandaman, however, denied allegations that the

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DAR decision was politically motivated, averring that the investigation was launched even before Aquino called for the resignation of President Arroyo (which is accurate). When asked to comment, Aquino -- who is not involved in the management of the estate though she owns part of it -- has kept her own counsel.

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Cojuangcos Promise to Appeal  
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17. (SBU) The management of Hacienda Luisita Inc. (HLI), which essentially reports to the Cojuangcos, plans to file a petition in court questioning the authority of DAR to issue its recommendation. An HLI spokesman argued that DAR did not request and consider management's response to the allegations made by farm workers that HLI had violated the stock option agreement. HLI and the Cojuangco family have publicly indicated that they will pursue the matter in the courts as far as possible. Mission contacts have told us that they believe the family could postpone implementation of the DAR recommendation for years given the ponderous nature of the Philippine judicial system.

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Background  
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18. (U) The dispute over Hacienda Luisita stretches back to 1957, when the Cojuangco clan -- one of the wealthiest families in the country -- purchased the property with the help of a government loan on condition that the property would eventually be subdivided among its workers. This condition was never met, despite periodic protests from workers. In 1988, implementing legislation on agrarian reform was passed during the administration of then-President Aquino. The law made clear that the actual distribution of land to tenants was not required, and that the distribution of shares of stocks would also be legally sufficient. In 1989, the Cojuangco clan utilized this provision to turn the hacienda into a corporation, with shares for owners and workers. Tension at the estate continued into the 1990s, with the GRP charging -- with some evidence -- that extreme leftists affiliated with the Communist Party of the Philippines/New People's Army (CPP/NPA) were influencing some of the workers.

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Comment  
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19. (SBU) Due to likely legal challenges by the Cojuangco family, the hacienda workers are unlikely to see any material change in their situation for the foreseeable future despite the DAR recommendation. However, a ruling by PARC approving revocation of the SDO and distribution of the hacienda land could nonetheless have far-ranging implications for the large landholdings of other influential and wealthy families who have hitherto managed to exempt their estates from land reform initiatives. Chronic, festering tensions on estates have only helped extreme leftists in the Philippines garner support. A dynamic GRP policy to press forward with land reform laws already on the books could possibly help ameliorate this problem, although it is not clear whether that is the intent of the Arroyo administration in pressing the Hacienda Luisita matter.

JONES